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SUBJECT: ANYTHING LEFT TO SQUEEZE FROM THE IAEA'S "FUTURE OF THE AGENCY" PROCESS?

11. (SBU) Summary: Member States are looking forward - some with relief - to the final session of the year-long Future of the Agency (FOA) process on November 19 - 20. The Brazilian chair of the process will circulate and then formally submit a report to the March Meeting of the Board of Governors. While some observers believe that any dialogue across Member States is better than silence, the toothless FOA process was ultimately fenced off from more substantive developments in other fora, such as budget negotiations and various Board meetings. U.S. attempts to invigorate the process were dampened by OECD disinterest and the G-77's blinkered focus on technical cooperation. As Member States prepare to baptize a new budget forum on November 25, the Budget Working Group (BWG), many have expressed the hope that it not become "another Future of the Agency." At best, the FOA process shows us what to avoid as we head into 2010 - a year of difficult negotiations over the 2011 budget, 2012-2013 Technical Cooperation cycle, and 2012-2017 Medium Term Strategy. At this stage U.S. interests are best served by a quick and bloodless end to the FOA effort. End Summary.

12. (SBU) Member States will convene November 19 - 20 for the final "Future of the Agency" discussion on the Agency's activities as a whole. In a meeting with Ambassador Davies on October 29, Brazilian Ambassador Antonio Guerreiro (current Chair of the FOA process) admitted that the exercise was not initially welcomed by his G-77 counterparts. (The G-77 had also looked askance at the FOA's founding document, the May 2008 "Commission of Eminent Persons Report.") Guerreiro was quick to assert, however, that the FOA had reaped some benefits, chief among them that Member States "had finally begun speaking their minds." Guerreiro also noted that the FOA process had allowed Member States to educate themselves, an important function at an agency where diplomats cover several organizations and can be overwhelmed by technical material. (Guerreiro may be correct on this point: Diplomats from Sri Lanka and Costa Rica recently told MsnOff that the FOA process allowed non-Board Members to learn about the IAEA and get updated on recent trends.) Most positively, Guerreiro told Ambassador that the FOA had convinced some Member States that Nuclear Security was indeed a legitimate activity of the Agency.

13. (SBU) Guerreiro did not delve into the less positive aspects of the process, particularly its time-consuming schedule of two-day meetings and its tendency to be taken over by the narrow interests of individual Member States. For example, Guerreiro surprisingly characterized Iranian Ambassador Soltanieh's contributions as "particularly helpful," when in fact, Iran accounted for up to half of total interventions, many of which were irrelevant to the work at hand. Pakistan also made unhelpful contributions, most notably by blocking any discussion of how to improve

Technical Cooperation projects. In fact, the increasing willingness of local G-77 leaders to throw their weight around meant that the priorities of OECD countries often fell by the wayside during FOA discussions. Alluding to the unhelpful stance of Iran and others over the course of the process, Ambassador asked Guerreiro to avoid letting any one Member hold undue sway over the final FOA report.

FOA Winds Down, BWG Winds Up

¶4. (SBU) The last FOA Meeting on November 19 - 20 is (rather awkwardly) titled "Any Outstanding Issues and the Agency Activities as a Whole and the Result of the Process." (Guerreiro had little to share with Ambassador on what he hoped to accomplish at the final meeting.) As usual, Member States are invited to submit questions to the Brazilians in advance of the meeting. For this final meeting, Mission will put forward questions that focus on 1) methods to ensure the IAEA is fully resourced over the long term, 2) efforts to improve the IAEA's Safeguards function, and 3) steps to encourage more effective governance by Member States. (Additional proposals and contributions may be submitted to Usha Pitts at pittsue@state.gov).

¶5. (SBU) Guerreiro will then work with his predecessor as FOA Chair, former Finnish Ambassador Kirsti Kauppi (now in the MFA in Helsinki), to memorialize the process in a "Chairs' Report to the Board of Governors." The Report will be circulated informally to major players (including the U.S.) during December or January and then submitted to the March 1 - 5, 2010 Meeting of the Board of Governors. The timing suggests that the report will come out too late to influence

the new Budget Working Group (BWG), which meets over the course of several days in January. The report could, however, become a resource for Member States when they discuss the 2012 - 2017 Medium Term Strategy later next year.

Guerreiro also hoped the Report could be of use to incoming Director General Amano (unfortunately, Guerreiro did not provide specifics). Other than the above, the timing of the FOA Report and its non-binding nature suggest that the process may be heading for a lackluster conclusion. Some Member States have even taken to vocalizing the desire that the BWG not turn into "another Future of the Agency."

Comment: What Not To Do in 2010

¶6. (SBU) The U.S. priority at this stage is to ensure that the FOA report does not morph into a vehicle for the G-77 to impose its agenda on the Board or to dilute Board authorities. From that perspective we seek to bring FOA to a quick and uncontroversial conclusion.

¶7. (SBU) Mission had hoped that an activist approach to the Future of the Agency would help the U.S. win points with the G-77 and gain buy-in on priority issues. Mission had also hoped the process would lead to improvements in the IAEA's performance and relevance over the long term. Needless to say, these hopes did not come to fruition. The process was ultimately left behind by more concrete developments in other fora, particularly intense budget negotiations, the DG election, and goings-on at the Board and General Conference. In that regard, the strongest determinants of the future of the IAEA will be its new Director General and the resources at his disposal. Progress in FOA was further hampered by Member States' insistence that the dialogue remain "informal" and "open-ended." As a result, the process appeared to reinforce basic political divisions rather than to address seriously the crisis of IAEA resources and ballooning mandates. Finally, the process was brought down by the G-77's insistence on introducing Technical Cooperation at every FOA session, no matter what the topic. OECD countries, for their part, had initially hoped the process would wither away; when it didn't, they tolerated it without enthusiasm. At most, the FOA reminded us of the limited value of an extended, informal process without measurable goals or

commitments. The lesson must be taken into account as we approach 2010, a year that will witness the establishment of working groups to tackle the 2011 budget (and beyond), the 2012-2017 Medium Term Strategy, and the 2012-2013 Technical Cooperation cycle. One hopes these new bodies achieve greater gains than their enfeebled predecessor, the Future of the Agency.

DAVIES